

MINUTES

**MONTANA SENATE
56th LEGISLATURE - REGULAR SESSION**

COMMITTEE ON TAXATION

Call to Order: By **CHAIRMAN GERRY DEVLIN**, on March 4, 1999 at
8:00 A.M., in Room 413/415 Capitol.

ROLL CALL

Members Present:

Sen. Gerry Devlin, Chairman (R)
Sen. Bob DePratu, Vice Chairman (R)
Sen. Dorothy Eck (D)
Sen. E. P. "Pete" Ekegren (R)
Sen. Jon Ellingson (D)
Sen. Alvin Ellis Jr. (R)
Sen. Bill Glaser (R)
Sen. Barry "Spook" Stang (D)

Members Excused: Sen. John C. Bohlinger (R)

Members Absent: None

Staff Present: Sandy Barnes, Committee Secretary
Lee Heiman, Legislative Branch

Please Note: These are summary minutes. Testimony and
discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: HJR 19, 3/1/1999; HB 132,
2/19/1999; HB 168, 2/19/1999;
SB 512, 2/19/1999
Executive Action: SB 487

HEARING ON HJR 19

Sponsor: REPRESENTATIVE AUBYN CURTISS, HD 81, FORTINE

Proponents: Gordon Morris, Montana Association of Counties
Sam Samson, Jefferson County Commissioner
Mike Collins, Montana Mining Association and
Independent Montana Miners

Opponents: None

Opening Statement by Sponsor:

REP. AUBYN CURTISS, HD 81, Fortine, said this resolution was drafted by County Commissioner Dale Williams of Flathead County, and simply requests that the federal government continue to keep its commitment as established by the Forest Reserve Act of 1890. She asked the committee's support.

Proponents' Testimony:

Gordon Morris, Montana Association of Counties, said that his organization supports this resolution. He said that the real issue that is being addressed is that there are proposals in Congress right now to decouple forest reserve receipts from timber harvest, and that is a very scary proposition. He urged support.

Sam Samson, Jefferson County Commissioner, said he agreed with what **Mr. Morris** had said. He said that Jefferson County has come to rely on this fair and reasonable payment. He said these monies go directly to basic services such as new roads, bridges and law enforcement. The need for these payments is more important now than ever due to frozen railroad tax revenues at the county government levels. Revenue from these payments benefits us all. He said it is a practical and equitable solution to our country's everyday challenges.

Mike Collins, Montana Mining Association and Independent Montana Miners, said it is obvious by the people he represents that they have a vested interest in this resolution. He said these national forests were created for all of us. He said they do have a financial benefit to our counties and to our communities, and for that reason, he urged support for the resolution.

Opponents' Testimony: None

Questions from Committee Members and Responses:

SEN. ELLINGSON asked what ASQ stood for, and **REP. CURTISS** said it was allowable sales quota. **SEN. ELLINGSON** asked if she knew how that quota is established, and **REP. CURTISS** said that it is included in the individual forests' five-year plan or ten-year plan. **SEN. ELLINGSON** said it is his understanding from this resolution that ASQs have been established on certain of our federal forests, and the federal government is taking a policy of not letting for sale an amount sufficient to meet the allowable sales quota, and he wondered what was behind that. **REP. CURTISS**

said that there has been a philosophy change from that of multiple use management of public lands to that of ecosystem management. The ecosystem management concept primarily is not only for preservation and conservation of resources, it has to do with restoration of resources, and looking at those documents, you see that that restoration goes back to when the white people came to this continent. **SEN. ELLINGSON** asked if there was anything to prevent the federal government from changing the ASQs downward, and **REP. CURTISS** said that what we are seeing is that the Forest Service and the BLM are currently implementing various elements, and she referred the committee to the front page of the handout, "Montana Counties in Columbia River Basin Project Area," **EXHIBIT (tas49a01)**, and the back page which deals with Montana losing the poverty war.

SEN. ECK said that she seemed to remember that there was a substantial increase in PILT a few years ago, and **Mr. Morris** said that there was a 13% increase in PILT in 1996-1997. **SEN. ECK** then asked how that is calculated, and **Mr. Morris** said that PILT has been a stable funding source, although it has not kept pace with inflation; however, an inflationary adjustment was implemented in 1996.

CHAIRMAN DEVLIN asked **Mr. Morris** if he knew what the numbers should be, since he disagreed with the 53% on page 1, line 26 of the resolution, and he replied that the idea that it was reduced from 100% in 1994 to 53% in 1998 is incorrect, and that there had been no significant reduction in the program, that it has stayed constant and then increased in 1997. **Mr. Morris** said he thought that the resolution was directed to the forest reserve monies which are directly tied to harvestable timber, and what we are seeing is a decline in the harvest and that money going down. He said that what Congress has proposed is to decouple the forest reserve payments from the actual harvest in the federal forests.

SEN. ELLIS said he recalled a meeting between the Montana Association of Counties and Representative Williams in Billings the last term he served in which PILT was discussed, and at that time it was his understanding it was considerably below the target that had originally been set by the federal government for payments. **Mr. Morris** said that when the PILT program was implemented, there were about \$100 million put into the program, and that program stayed constant and that funding amount didn't reflect any growth whatsoever. Rep. Williams was able to get the first increase by way of putting in that inflationary mechanism.

SEN. ELLIS asked if what he was saying was that in years when inflation was very high, this payment stayed steady, and now at a

much lower level, it is going with inflation, and **Mr. Morris** said that was correct.

SEN. ELLIS said that in Montana we are not quite as hard hit as some states with federal land, and he asked if besides the eleven western states, whether there was any Forest Service land anywhere else in the country. **REP. CURTISS** said that there are other areas, but they are comparatively small compared to those west of the Mississippi.

SEN. DEPRATU said that in some of the western Montana counties they have experienced about a 90% decline in the sale of timber, which has a direct effect on the money that is received by the counties. **REP. CURTISS** said that was true.

CHAIRMAN DEVLIN asked how much Jefferson County received from this funding presently, and **Mr. Samson** said that it is around \$260,000. **CHAIRMAN DEVLIN** then asked how that money is distributed, and **Mr. Samson** said that that is spelled out in the law, but generally counties use it for roads, although it is fairly discretionary.

SEN. ELLIS said that schools and cities don't share in this money, and **Mr. Samson** said that was correct. **SEN. ELLIS** asked if **REP. CURTISS** could provide a map depicting federal lands across the country, and she said she would.

CHAIRMAN DEVLIN asked **REP. CURTISS** who would carry this on the floor, and it was decided that **SEN. ELLIS** would do that.

Closing by Sponsor:

REP. CURTISS said that in meeting with the Forest Service, there was some indication that the administration was going to change the method of payment to one which would either freeze the payments to 1997 levels or to some alternative formula which is still unknown. **REP. CURTISS** also provided a letter of support from the Gallatin County Commissioners, **EXHIBIT (tas49a02)**.

HEARING ON HB 132

Sponsor: REPRESENTATIVE BETTY LOU KASTEN, HD 99, BROCKWAY

Proponents: Mary Bryson, Director, Department of Revenue
Tom Harrison, Montana Society of CPAs
Joe Shevlin, Montana Society of CPAs

Opponents: None

Opening Statement by Sponsor:

REP. BETTY LOU KASTEN, HD 99, Brockway, said that this is another bill which deals with the consolidation of services for the Department of Revenue. **HB 132** pertains to penalties and interest which the Department deals with.

Proponents' Testimony:

Mary Bryson, Director, Department of Revenue, provided a handout entitled "An Act to Simplify the Calculation of Penalty and Interest Rates Across All Tax Types, House Bill 132,"

EXHIBIT (tas49a03). She said the purpose of this legislation is to simplify the calculation of penalty and interest for all tax types by providing for standardized interest rates and penalties. She referred the committee to the second page of the handout which shows the proposed interest and penalties. She said the House did amend the penalties by standardizing the penalty structure to a time-sensitive penalty which is 1.5% per month, not to exceed 18%. **Ms. Bryson** then moved on to the third page, which is a chart which indicates by tax type changes to penalty and interest rates with the modifications shown in blue.

Ms. Bryson said that simplification and standardization of penalty and interest rates will increase compliance by taxpayers, provide fairer assessment of penalties, reduce the complexity in the computer information systems (resulting in less maintenance and improvement costs), and improve efficiencies and streamline Revenue's tax administration resulting in a reduction of costs to taxpayers, tax practitioners and attorneys.

Tom Harrison, Montana Society of CPAs, presented the committee with a request for an amendment, **EXHIBIT (tas49a04)**. He said that simplification and standardization of penalties and interest are goals of the Society. He said this amendment comes from the philosophy of the Society that if there is no tax due, a taxpayer ought not to be assessed a penalty. This amendment will assess the penalty or the amount of tax due, whichever is less, so if the person does not owe tax, there will be no penalty.

Joe Shevlin, CPA, Junkermier, Clark, Campanella and Stevens, Helena, and Montana Society of CPAs, said he supports **HB 132** with the amendments put forth by **Mr. Harrison**. He said that they support the penalties for people who file late, but they do feel that if there are no taxes owed, there should be no penalty for late filings.

Opponents' Testimony: None

Questions from Committee Members and Responses:

SEN. ELLIS asked if the handout reflects the bill as amended by the House, and **Ms. Bryson** said that was correct.

SEN. GLASER said that there is a 50% increase in the interest rates as a percentage, going from 1% to 1.5%, and he asked **Ms. Bryson** to explain. **Ms. Bryson** said that the position the Department has taken is that the state is not in the business of lending money to the taxpayer, and the Department has set it up at a rate that is comparable to credit card charges.

SEN. ECK said that in Section 1 there are fines for not filing a tax return but also for other reports and statements, and she wondered what that involved, and **Ms. Bryson** said that in some tax categories taxpayers are required to file a quarterly report which does not report any tax liability but reports information to the Department, and this would be a required report that there would be a penalty for. **SEN. ECK** asked if that would include assessments on personal property, and **Ms. Bryson** said that was correct and the penalty would be filed according to how each property is filed.

CHAIRMAN DEVLIN asked whether the Fiscal Note was correct in that this will have a positive impact of \$207,000 every year after the first year, and **Ms. Bryson** said that was correct.

CHAIRMAN DEVLIN asked how much interest is being collected presently, and **Ms. Bryson** estimated that it would be between \$3 million and \$4 million a year, but that the Department would provide the exact figures to the committee.

SEN. ELLIS asked whether, on taxes overdue, penalty and interest is not received until the taxpayer makes restitution, and **Ms. Bryson** said that was correct. **SEN. ELLIS** asked if the \$30 million presently due the Department, which was mentioned by **REP. KASTEN**, was owed by large taxpayers, and **Ms. Bryson** said that that represents 16,000 taxpayers.

SEN. STANG asked if the Department could provide information on what federal penalties are for these same taxes, especially with respect to income and withholding and unemployment insurance tax, and **Ms. Bryson** said they could do that.

SEN. STANG asked who gets the interest from the increase of the interest on property taxes, the counties or the state, and **Ms. Bryson** said that those are locally collected taxes and locally assessed penalties and interest so they would go to the local

government and would be distributed in the same manner as property taxes.

SEN. STANG then asked why the state should be setting the amounts of penalties and interest for property taxes collected by the local governments, and **Ms. Bryson** said that section of code had not been modified as it relates to property. She said that a penalty provision had been put in. **SEN. STANG** asked, then, if the late-payment penalty for property taxes was for the county not submitting a timely report to the state, or if it was against the taxpayer for paying late. **Ms. Bryson** said that the late-pay penalty is the same as exists in the code today for property tax purposes.

Gordon Morris, Montana Association of Counties, referred to page 3 of the bill, Section 5, and said that the current interest is 1% per month and what is being changed relative to property tax delinquencies is the penalty provision. He said currently the penalty provision is 2% assessed at the time of payment and that is being changed to 1.5% per month up to a maximum of 18%. He said this is the section that he opposes in this bill.

Closing by Sponsor:

REP. KASTEN said that this is not an increase on taxpayers, only those who do not pay their bills, and those taxpayers cost the taxpayers that do pay their bills extra money, so it is about time that that is remedied. She said there is a change. The House amendments made on the floor raised the interest to 1.5% per month and it is prorated through the month.

REP. KASTEN said this is the final bill of the three that created one-stop licensing, one-stop registration, and consolidated the UIDOR functions. The Department has come in this year with 12 fewer FTEs and 17 fewer are planned for 2001. The revenue collection has been improved and results in \$1.2 million in new revenues for the state.

HEARING ON HB 168

Sponsor: REPRESENTATIVE BETTY LOU KASTEN, HD 99, BROCKWAY

Proponents: Mary Bryson, Director, Department of Revenue
Lois Menzies, Director, Department of Administration
Gordon Morris, Montana Association of Counties

Opponents: None

Opening Statement by Sponsor:

REP. BETTY LOU KASTEN, HD 99, Brockway, said that **HB 168** simply transfers the debt collection function from the Department of Administration to the Department of Revenue.

Proponents' Testimony:

Mary Bryson, Director, Department of Revenue, provided a handout entitled "An Act to Consolidate the Collection of State Debt on an Enterprise-Wide Basis, House Bill 168," **EXHIBIT (tas49a05)**. She said the chart on the second page shows that presently each agency tries to collect their debt. If they have no success, they transfer that debt to the Department of Administration where collection services are provided on those bad debts. This bill allows each agency to establish the receivables and the past due accounts would be transferred to the Department of Revenue. This would allow to be put in place a single debt collection unit in the state of Montana. It also allows the Department to enter into reciprocal agreements for offset against tax refunds with the IRS and other states.

Ms. Bryson said that the Department believes that this will provide improved customer service by allowing those owing multiple debts a single point of contact for resolving the debts, provide improved efficiencies and streamline collection processes and improve collection of debts owed to the state.

Lois Menzies, Director, Department of Administration, said that the debt collection unit came to the Department of Administration from the State Auditor's Office in 1995. She said the Department of Revenue has made a substantial investment in technology and re-engineering so that they can streamline collection of state debt. Having a consolidation of debt collection will result in a reduction of cost for that function. She said the Department of Administration supports this move.

Gordon Morris, Montana Association of Counties, said that counties and other political subdivisions would have the ability to contract with the Department of Revenue for debt collection, and they are in support of **HB 168**.

Opponents' Testimony: None

Questions from Committee Members and Responses:

SEN. STANG asked if counties may contract with the Department of Revenue, that the bill indicates that they have to contract with the Department, and **Ms. Bryson** said local governments and other

departments have the option of transferring their debt to the bad debt unit, but there is no requirement that they have to do that.

SEN. STANG asked why it would take as many FTEs in the Department of Revenue to do this as it has taken in the Department of Administration, and **Ms. Bryson** said that the whole unit will be transferred to the Department of Revenue, but that they expect that over the course of time, there will be efficiencies realized. She said that the Department is proposing reductions as a whole, 12 in Fiscal Year 2000 and 17 in Fiscal Year 2001, but this particular legislation will entail the transfer of the whole unit from one department to the other. **SEN. STANG** asked what the 29 FTEs that are being reduced do presently, and **Ms. Bryson** said that as a result of reorganization and restructuring and the efficiencies that are anticipated, there will be reductions throughout the Department, but she could not say exactly which positions will be reduced.

SEN. GLASER asked how the Department would know where to send monies collected if they are collecting for all these different entities, and **Ms. Bryson** said the Department is in the process of defining the allocation of monies as they come in and determining the priority sequence of how a debt payment would be applied to the debt that is being collected. She said that will be negotiated with each of the entities that enter into an agreement for collection. **SEN. GLASER** asked if that might be a policy decision, and **Ms. Bryson** said that the legislature had already established some priority on debt collection as it exists today, and the Department will continue to work with those. She said that when an agency today pursues collection of a debt, they pursue it to the point of whether they receive it or not, and the Department of Revenue is in the business of collections. The Department will establish how that debt is collected, and monies collected will probably be prorated to the debt that is owed, costs, et cetera. **SEN. GLASER** asked if that would happen through rule making, and **Ms. Bryson** said that would probably be the best place to do that.

SEN. ELLIS asked if, when an agency has a debt and the Department assumes that liability, that means only that then the Department is the collection agency. He said it would seem that the Department should make that agency whole and then the debt is owed the Department. **Ms. Bryson** said that the Department becomes the collection entity and handles the collection function. She said the Department will not pay the agency that debt until it is collected.

Closing by Sponsor:

REP. KASTEN asked for the committee's support of this bill. She said **SEN. TAYLOR** has agreed to carry **HB 168**, but someone will need to carry **HB 132**.

EXECUTIVE ACTION ON SB 487

Motion/Vote: **SEN. STANG** MOVED THAT **SB 487** DO PASS. Motion carried 8-0.

HEARING ON SB 512

Sponsor: **SENATOR MIKE HALLIGAN, SD 34, MISSOULA**

Proponents: **Mike Kadas, Mayor, Missoula**
Alec Hansen, Montana League of Cities and Towns
Sen. Dorothy Eck, SD 15, Bozeman

Opponents: **Dennis Burr, Montana Taxpayers Association**
Andy Skinner, Developer and Landlord, Helena
Chris Gallus, Montana Chamber
Glenn Wheeler, Montana Power Company
Steve Snezek, Montana Association of Realtors
Byron Roberts, Montana Building Industry Association
Jim Paladichuk, Montana Dakota Utilities
Ronda Carpenter, Montana Housing Providers
Barbara Ranf, US West
Riley Johnson, NFIB
Mike Fellows, Montana Libertarian Party

Opening Statement by Sponsor:

SEN. MIKE HALLIGAN, SD 34, Missoula, said that **SB 512** is an act generally revising the powers of self-governing local governments by expanding those powers; reducing the number of powers that must be specifically delegated to self-governing local governments by the state; and modifying the requirements for consistency with self regulation; and reducing the number of mandatory provisions pertaining to self-governing local governments. He said local governments need to be almost equal partners with the state in the management and provision of services, and should not be treated like step-children.

SEN. HALLIGAN said local governments are responsible to their electorate, and they need to manage their own services. This bill tries to eliminate some of the restrictions that the legislature has felt ought to be placed on local governments, the

biggest one, of course, being the power to authorize a tax on income. This bill gives local governments latitude to manage their own affairs.

Proponents' Testimony:

Mike Kadas, Mayor, Missoula, asked the committee to think of this not so much as a local government bill, but more in terms of the relationship between the federal government and the state government. He said the state's perception of mandates from Washington are similar to what local governments feel about state government. He said this bill tries to address the notion that local governments should be able to have more control. He said local governments are elected by the same people legislators are elected by, and they would like to make and correct their own mistakes. He said local governments do not need the state involved in all of their affairs.

Alec Hansen, Montana League of Cities and Towns, said that this bill goes back to the 1972 Montana Constitution, which provided for self-government power for cities and counties, and suggested that those powers be liberally construed by the courts and the legislature. It also said that if a self-government power law was not put in place by 1975, the cities could do that by initiative or referendum.

Mr. Hansen said in 1975 the legislature authorized self-governing powers, but they also passed four new sections of law. One section listed all the powers that would be denied to local governments, the second section listed all those powers requiring delegation, a third section was on mandatory provisions, and the fourth section dealt with consistency with state law. Among the powers requiring delegation is the power to tax, and that is in 7-1-112 in the bill. The power to tax specifically requires delegation from the legislature to local governments, and his organization favors local taxing options.

Mr. Hansen said that he believes that some reasonable, fair, balanced and acceptable method of local option taxes can be reached. He said state agencies are running local government and local government has lost control. He said there should be a true partnership between local government and the state, and local governments would like to take steps to improve that relationship.

SEN. DOROTHY ECK, SD 15, Bozeman, said this is an issue that she has worked for all of her political career, and it is still an important issue. We need to give local government more control

over their own affairs, and perhaps this bill would provide a start in that direction.

Opponents' Testimony:

Dennis Burr, Montana Taxpayers Association, said he had some concerns about allowing local governments to set any tax policy they wish, especially because there is no requirement for public vote. In regard to geographic limits, he wondered how far those geographic limits go. He said state laws currently apply to local governments, and striking that language, consistency with state regulation, means that they don't have to be consistent, and it allows local governments to establish any standards as long as they are higher than standards established by the state.

Mr. Burr said that a better relationship needs to be established between local governments and the state, but we have to remember that local governments are subdivisions of the state, and part of the reason they are subject to state law is to provide some consistency across the state.

Andy Skinner, Developer and Landlord, Helena, said that the cities had come before the legislature the last three sessions and requested more local power. The legislature granted them that power, but they also established certain checks and balances. He said this bill takes those checks and balances away. He said he disagrees with expanding powers of local governments and allowing them to modify requirements for consistency with state regulation. He said he also does not believe that cities should be able to impose taxes locally. He said this legislation gives the local governments too much power, and he opposes the bill.

Chris Gallus, Montana Chamber of Commerce, said this bill simply goes too far in what it purports to do. He said there are very good reasons why we need to speak with one voice on some important issues as a state, and that explains why these components are in the law as it exists.

Glenn Wheeler, Superintendent of Electric Operations, Montana Power Company, said MPC's major concern with this legislation is that it gives local government the ability to tax services and goods as they feel appropriate. Montana Power Company is concerned that a potential and likely candidate for that taxation might be utilities. He said that collecting these taxes could be a real administrative problem for Montana Power Company and its customers.

Steve Snezek, Montana Association of Realtors, specifically pointed out Section 3(c), which deletes all laws establishing legislative procedures or requirements for units of local government, and said that this section means that all the new powers that local governments would obtain from the rest of the bill could be enacted and utilized at the local level without having to go through the normal legislative process. He said he perceives that as a serious problem. He said this bill may lead to local control, but could also result in state chaos. He urged a do not pass.

Byron Roberts, Montana Building Industry Association, said that in the interest of housing affordability, builders need consistency and predictability in building codes, planning and zoning, and he said he feels it is essential to maintain consistency with state legislation dealing with the powers and responsibilities of local government.

Jim Paladichuk, Montana Dakota Utilities, said that MDU has the same concerns regarding this legislation as Montana Power Company, and recommends do not pass.

Ronda Carpenter, Montana Housing Providers, said that their concerns are the same as those expressed by the Realtors and Builders, but they also have a concern with the elimination of (3), which allows cities to relicense people who are already licensed by the state. She said this could result in different rule-making regulations in each city, adding a lot of complications for people who manage property outside city limits or under more than one governmental jurisdiction.

Barbara Ranf, US West, said they oppose this bill primarily because of Section 1(1), the power to authorize a tax. She said the committee had heard examples of how this could potentially affect companies like US West, and she urged do not pass.

Riley Johnson, National Federation of Independent Businesses, said his organization stands in opposition to SB 512.

Mike Fellows, Montana Liberation Party, said that local control is all right as long as it respects the rights of the individual, but he does not feel that local government should be able to impose taxes. He said he also had concerns about zoning at the local level.

Questions from Committee Members and Responses:

SEN. ELLINGSON asked on page 1, line 19, what kind of power is envisioned that local governments could exercise beyond their

geographic boundaries, and **Mayor Kadas** said that local governments currently have the authority that is specifically allowed in statute over issues of health, the environs of a particular city, and that is a five-mile territorial jurisdiction that that can be applied to. **SEN. ELLINGSON** asked if it might be better to specify those areas that it would be useful to regulate rather than to simply put the prohibition on regulation in a broad category, and **Mayor Kadas** said that he suspects that there are other parts of the law that continue to prohibit local governments regulating unreasonably.

SEN. ELLINGSON then asked those same questions of **Alec Hansen**. **Mr. Hansen** said that that part of the bill probably could remain as it is presently. He said the activities of cities beyond their geographic boundaries is regulated by the state, and there are some areas where cities are allowed to go beyond the city limits. He said that is something that probably should be subject to state control because it is a question of intergovernmental relations.

SEN. ELLINGSON then asked about Sections 2 and 3. He said currently if there is an inconsistency with a state regulation, the state preempts the local regulation and, thus, the state controls. He said this bill eliminates that definition that the state will control in the event of an inconsistency and leaves the field open. He asked how an inconsistency would be handled if these sections are eliminated. **Mr. Hansen** said that the problem as he sees it is that the laws on the books presently need to be looked at. He said local governments would like to be able to find a way to eliminate those things that are really an obstacle to effective management. He agreed that this bill goes too far, but the state needs to remember that people who run local governments are very capable and don't need around-the-clock supervision by the legislature and state agencies.

SEN. DEPRATU said that when he was working on the jobs and income package and listening to people testify before that committee, among the many things that they felt were a hindrance in Montana was the lack of predictability and stability. He wondered if giving local governments the right to impose taxes would have any effect on those wanting to look at Montana as far as doing business here. **Mr. Hansen** said that the counties and cities are willing to defer to the legislature on tax policy.

SEN. ELLIS said that he felt that the biggest loss of local control was in the area of school equalization. He asked **Mayor Kadas** whether this bill reveals a philosophy of "We have seen the enemy and he is us." **Mayor Kadas** said the lawsuit and the argument of school equalization was based on Constitutional

provisions. He said the concern today is not with the Constitution, but with the fact that the state keeps stepping in and telling local governments what they need to do and how to do it. In regard to local jurisdiction of taxes, he said that taxing practices are not consistent state to state and he wondered if it deters business activity. He said in his opinion businesses will go where they can best do business.

SEN. ELLIS asked if this allows communities to completely exclude as well as attract certain businesses, and **Mayor Kadas** said that that was true, but businesses are adaptable and they will go where they can do business. He said local governments should have the opportunity to make decisions on a local business.

Closing by Sponsor:

SEN. HALLIGAN said this bill was drafted deliberately broad and he was satisfied with the discussion that resulted regarding the problems of predictability, consistency of tax policy, and state regulation. He said the state is still dictating to local governments, and he believes there should be ways to allow local governments to have some control and work together with state government. Local governments would like to have a say in things that affect them. He said he would like to work on this bill for the next couple of weeks so that some headway might be gained that would reverse the trend and give some power back to local governments.

NOTE: **REP. CURTISS** provided a PILT historical table by fiscal year, **EXHIBIT(tas49a06)**, and a PILT statement, **EXHIBIT(tas49a07)**, in regard to **HJR 19** after the committee meeting.

ADJOURNMENT

Adjournment: 10:22 A.M.

SEN. GERRY DEVLIN, Chairman

SANDY BARNES, Secretary

GD/SB

EXHIBIT (tas49aad)